

Companies turn your Facebook friends into a sales force

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Betsy Stover was 17 when her mother asked her to help fax strangers, hawking a service that had the markings of a pyramid scheme.

"I always felt like a creep sending unsolicited faxes," said Stover, who hated the chore, but knew the work required cold calls to succeed.

Stover, now a 38-year-old comedian based in Los Angeles, had largely forgotten about the experience until about three years ago. That's when her Facebook feed started filling up with new direct sales posts touting cosmetics, jewelry and leggings.

Friends Stover hadn't seen in years had added her to private Facebook groups promoting body oils and makeup. She had little interest. It felt too similar to her mother's get-rich-quick schemes, which had more to do with recruiting new distributors than selling actual products.

"It was super awkward," said Stover, who discreetly left the groups. "With these people, there was always a looming sales pitch in the background."

Unsolicited calls and face-to-face pitches once defined multilevel marketing—a \$35-billion industry that recruits an ever expanding network of independent distributors to sell their products rather than rely on bricks-and-mortar stores.

Instead, today's generation of multilevel marketing brands including

Rodan + Fields, Stella & Dot and LipSense are often discovered on [social media platforms](#) such as Facebook, which gives distributors instant access to a vast network of potential customers and recruits with the swipe of a finger.

Rather than suffer the humiliation of cold calling, adherents can blast sales pitches and promote their brands online with little effort, attracting increasingly distant acquaintances who would have been previously unreachable.

It's why many women such as Stover have seen their news feeds transformed from a place to keep up with friends and family into a clutter of livestreamed sales events, invitations to trunk shows and incessant promotional threads about moisturizers and lipsticks.

"This is what multilevel marketing has always done," said Richard FitzPatrick, president of watchdog group Pyramid Scheme Alert. "It is the only business that ignores the boundaries of private life and professional life. It simply follows where people are gathered, and now that people communicate on digital forums like Facebook, it has invaded social networks."

No recent company exemplifies the industry's shift more fittingly—and controversially—than LuLaRoe, a Corona multilevel marketing brand that through Facebook developed a cult-like following for its patterned leggings and is now the target of five class-action lawsuits.

One of those suits, filed in October, seeks \$1 billion in damages and alleges LuLaRoe operated a pyramid scheme, enriching itself by primarily selling inventory to its distributors, or sales consultants, rather than its customers.

The plaintiffs say the company did this by using social media to lure a

sales force mostly made up of stay-at-home mothers into paying thousands of dollars to become consultants with dim hopes of turning a profit.

"Defendants achieved such rapid growth by enticing consultants with social media posts boasting large bonus checks and other lavish material possessions," the suit says. Those rewards were celebrated with the hashtag #becauseofLLR.

Another popular social media slogan, "Part-time work for full time pay," has been chided by critics as mostly untrue except for those lucky enough to get in on the business early.

LuLaRoe, which was founded in 2012 and surpassed \$2 billion in annual sales this year, called the lawsuits baseless. The company said it has given thousands of consultants the opportunity to earn income. And it rejected allegations it was a pyramid scheme, explaining it does not reward consultants for simply signing up new sellers, but instead offers bonuses based on a cut of retail sales achieved by a consultant's recruits.

Only 27 percent of LuLaRoe's consultants received such bonus payments last year, which means about a quarter of the company's consultants were involved in recruiting and maintaining a sales team—the multilevel part of multilevel marketing.

"LuLaRoe has grown exponentially over the last four years. Our success has made us the target of orchestrated competitive attacks and predatory litigation. We take all litigation—regardless of its lack of merit—seriously," the company said in a statement.

In addition to the pyramid scheme claims, LuLaRoe has been saddled with complaints about shoddy merchandise, an unfair return policy and unsympathetic leadership (consultants say the company pressured

mothers to sell their breast milk to pay for more inventory).

"It was an endless chain. They always wanted you to buy more," said Pamela Winkelman, a Minnesota consultant who was introduced to LuLaRoe over Facebook and is a member of the \$1-billion class action.

Before the lawsuits, LuLaRoe had built an ultra-loyal following thanks to its buttery soft leggings. The company's embrace of all body types positioned it as something of an anti-Lululemon, the maker of pricey yoga pants whose former chief executive once suggested its clothes weren't appropriate for bigger women.

By 2015, LuLaRoe had become a [social media](#) sensation. Its clothes couldn't be found at stores or e-commerce sites. Instead, women had to join private Facebook groups run by the company's consultants.

Once in, they had to hope the seller had their size and pattern—not an easy task because consultants had no say over what pieces LuLaRoe would give them to sell.

Those restrictions on supply sparked a frenzy. Women joined multiple Facebook groups scavenging for rare leggings—known as unicorns—with playful prints such as purple dragons or the solar system. Eventually, unicorns would show-up on EBay for double or triple their typical \$25 sticker price.

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